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Property Tax Review

Introduction

By Sandra Guilfoil, Assistant Director

I hope you enjoy this recent addition to the Property Tax repertoire! This is just another example of our continued efforts to improve the communication between all the entities involved in the administration and assessment of property taxes. This newsletter is scheduled for publication quarterly and will be sent out either in electronic or printed text so that it can be readily distributed to staff in every office. We will try to give all of you a better perspective of who we are, what we're doing, what we're thinking, and what we're saying.

You will see all the features of any self-respecting newsletter, including an education calendar and an updated contact list, employee changes and promotions, rule making activity, new publication information, etc. The contact list information will be very important in the coming months since we are planning an office move this Spring. At that time, I would expect all our phone numbers to change!

We will also include regular commentaries from our Program Managers and Property Tax Specialists on valuation issues, legislative updates, and other relevant issues. Our goal will be to keep you all up-to-date on current issues that are coming forward or that transpired in the past quarter.

Our goal is to create products that are worth the time and effort it takes to create and read. Please let us know what you think. ♦

I-695 Duties of the Assessor

By Shawn Kyes, Revaluation Specialist

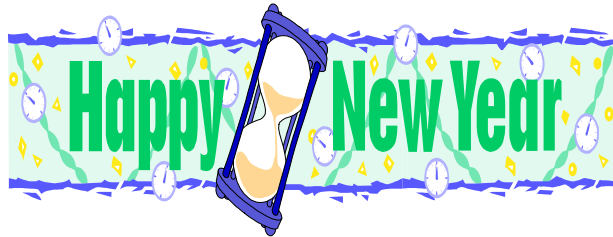
Many counties are facing budget cutbacks in response to the passage of I-695. Although the initiative may limit the amount of resources available to

administer the property tax laws in the state, it did not change the duties required of the

Assessor or DOR.

The following are some of the primary statutory requirements of the assessor:

- All taxable real property to be physically inspected and valued in accordance with an approved revaluation plan.
- Maintain current parcel, ownership, and exemption data.
- Maintain and update maps.
- Administer the various current use programs.
- New construction valuation & notices.
- Personal property valuation.
- Sales validation & tracking
- Levy calculations
- Accredited Real Property Appraisers
- Public disclosure of records, unless specifically exempted



Top 10 List

Many counties have initiated a number of cost-saving measures to solve their budget crisis. The following are some of the efficiencies that have been tried by county assessors (in no particular order).

1. Restrict data gathering to essential value elements.
2. Expanded "mass appraisal" techniques in both annual and cyclical counties.
3. Automation of labor intensive functions.
4. Providing internet access to data, freeing up staff time.
5. Restricting office hours.
6. Providing in-house training.
7. Limiting the mailing of revaluation notices to parcels that have a change in value.
8. Utilize temporary staff for part-time or special projects.
9. Sharing of transportation and other facilities with other county departments.
10. Streamline appeal response, freeing up time for appraisal staff.

To discover more of what's happening around the state, check out one of the upcoming **free** workshops on "Practical Planning Tools" offered in February and March..♦

Valuation and Revaluation Rule Revisions

By Shawn Kyes, Revaluation Specialist

The final public hearing on the proposed new rules was held on October 6, 1999. The proposed rules were adopted December 7, 1999 and are effective on January 7, 2000. The new rules will bring all the rules dealing with valuation and revaluation of real property within one chapter of the Washington Administrative Code (WAC 458-07). The rules are part of an agency-wide



effort to bring rules up-to-date as result of statutory and case law changes, and provide clearer explanation to the county assessors and others. ♦

Training News

Fall Starts Off With A Training Bang!

By Pete Levine, Education Specialist

After the busy assessment cycle, over 200 county staff took advantage of training opportunities provided by the Department and the WSACA Education Committee in September and October!

Nearly 20 staff members attended the Department's annual ***Fundamentals of the Assessor's Office*** class held in Ellensburg the week of September 13th. The week-long class challenges both new and experienced county staff, providing them a volume of information with an overview that includes: examination of the laws and rules applicable to the assessment process; legal descriptions; Boards of Equalization; the levy process; current use programs; exemptions; and a brief introduction of real and personal property valuation. While the large amount of information is somewhat overwhelming at times, nearly everyone leaves the week appreciative of the class, and all have a deeper understanding of how their office functions!

Hats off to Kathy Beith, Department Levy Specialist, and Peri Maxey, Department Technical Programs Manager, who provided training in the levy setting process to county and taxing district staff members. Two ***Basic Levy Training*** classes were held, September 28 and 29 in Wenatchee, and October 11 and 12, in Lacey. The courses were attended by nearly 60 people. Topics covered in this two-day

This Quarter's Reminders

January 1

Date real and personal property is subject to taxation and valuation for assessment purposes. (RCW 84.36.005 & 84.40.020) Taxes are payable on and after February 15 the following year. (RCW 84.56.020) Also first day to apply for open space assessment for January 1, 2001. (RCW 84.34.030)

January 15

Assessor shall classify all forest land not designated and notify owner of classification. (RCW 84.33.120)

February 1

2000 County Timber Assessed Value (TAV) worksheets are due to Forest Tax Division of Dept. of Revenue.

February 15

Property Taxes can be paid on and after this date. These taxes are based on assessments made in the previous year. There are certain exceptions relative to personal property as set forth in RCW 84.56.070. (RCW 84.56.020)

March 1

Most taxing district boundaries must be established to permit levy for collection following year. (RCW 84.09.030) For exceptions, see RCW 84.09.030-.035. Also, changes in district boundaries must be submitted to Dept. of Revenue in order to receive property apportionment of values of state assessed properties (WAC 458-50-130)

course included the basics regarding the levy process, administration, and levy limitations.

Two one-day *Senior Levy Seminars* were also held in Wenatchee and Lacey. Nearly 70 members of assessor's offices, treasurer's offices, and taxing districts attended the seminars. The agenda for the seminars included discussion regarding resolutions required by Referendum 47 and the ability of taxing districts to bank levy capacity, a presentation regarding Timber Assessed Value, 1999 legislative changes, and potential impacts of Initiative 695. Additionally, updated Levy Manuals were provided to all participants.

While some assessors and their staff attended the annual WACO Conference in Blaine during the week of October 4th, approximately 70 county staff

members attended *IAAO Courses* jointly sponsored by the Department and the WSACA Education Committee. This year's courses held in Ellensburg included: **Course #101 –**

Fundamentals of Real Property Appraisal; **Course #102 – *Income Approach to Valuation***; and **Course #300 – *Fundamentals of Mass Appraisal***.

Whether a new appraiser eager to establish a foundation as a real property appraiser or an experienced appraiser seeking to enhance their current skills, both agreed that the week was intense but rewarding! This year's feedback was positive, and the information learned will reverberate back to each of the counties involved.

A special thanks goes out to King County for their generous support of the 1999 IAAO courses offered by the

Department and the WSACA Education Committee. They supplied four of the five instructors for the week – Thank you King County! ♦

Looking Ahead to 2000 Training

By Pete Levine, Education Specialist

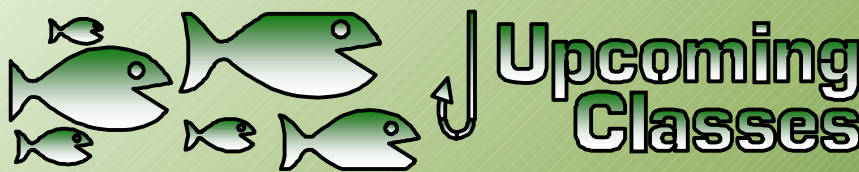
Looking ahead, the **2000 Training Calendar**, jointly produced by the Department and the WSACA Education Committee, provides an array of learning



opportunities for county staff! The Department is offering several new courses that will include: a two-day ***Current Use Assessment and Administration*** seminar, a two-day ***Practical Planning Tools*** workshop, and a one-day ***Ratio Study*** seminar.

The training calendar sent to all assessors in December 1999 has been slightly revised to include several date changes since the first version. An updated version should be received in the assessors' offices by mid-January 2000.

If you would like to receive an updated copy of the training calendar, the primary contact person is Linda Cox, Education Coordinator, who can be reached at (360) 753-5539 or by E-mail at LindaC@dor.wa.gov. ♦



Feb. 9 – Basic Legal Description
Olympia -- \$25

Feb. 28-29 – Practical Planning Tools Workshop
Olympia -- \$0

Mar. 13-14 – Practical Planning Tools Workshop
Spokane -- \$0

Mar. 29 – Ratio Study Seminar
Olympia -- \$25

For further information, contact Linda Cox, Education Coordinator, at (360) 753-5539 or by E-mail at LindaC@dor.wa.gov. ♦

FAQ's

So, You Own a Kubota Tractor? Is It Taxable?

By Joe Simmonds, Personal Property Program Manager

Maybe it's not a Kubota, but it is a tractor, and it has attachments so you can perform a variety of interesting feats with it on your little piece of the earth. Is a tractor like this no different than a lawnmower when it comes to property taxation? Is it a taxable item of personal property, or is it exempt?

This issue was recently raised in Cowlitz County. A taxpayer alleged to the assessor's office that because his tractor and its attachments never left his property and were not used in the course of running a business that it should be exempt. The tractor's sole purpose was to enhance the property owner's premises by using it for landscaping and maintaining his five plus acres. The property in question is improved with a single-family residence, a detached garage, and one outbuilding.

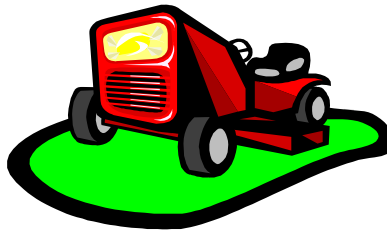
As usual, the answer depends on the circumstances in which the tractor is being used.

RCW 84.36.110(1) states in part, "...all household goods and furnishings in actual use by the owner thereof in equipping and outfitting his or her residence or place of abode and not for sale or commercial use....," shall be exempt from taxation.

WAC 458-12-270 also states in part, "Household goods and furnishings shall include movable items of necessity, convenience, or decoration, such as ... tools and equipment used to maintain the residence. It shall include all personal property **normally located** in or about a residence and used or held to

enhance the value of enjoyment of the residence (including its premises)." [Emphasis added.]

It is probably safe to say that most property owners do not own a Kubota tractor or similar equipment. A Kubota tractor and its attachments are not **normally located** in or about a residence and used or held to enhance the value of enjoyment of the residence including its premises.



However, WAC 458-12-270(4) states as an example, "Power lawnmowers used to enhance the value of enjoyment of the residence (including its premises) are exempt, but when used in the maintenance of a golf course are taxable."

Equipment used to maintain a residence – but not for commercial purposes – would meet the criteria necessary to receive this exemption. Additionally, there is nothing in statute or rule that sets out the size of the residential lot or equipment to qualify for this exemption. The essential wording relative to taxability is that the equipment not be held for sale or commercial use.

There are at least three ways for an assessor to test whether a Kubota (or other brand) tractor qualifies for a property tax exemption:

1. Inspect the site to assure that the equipment is not being used for commercial purposes or for farming;
2. Ask for a copy of the taxpayer's IRS return for the year in question to determine whether the equipment is being claimed for depreciation purposes in a commercial or farming use; and,

This Quarter's Reminders

Continued from Page 2

March 31

Applications for exemption from the property tax must be received by the Dept. of Revenue to avoid \$10/month penalty. (RCW 84.36.815 and .825) New incorporated cities may establish boundaries. (RCW 84.09.030)

April 30

Personal property report on standard form must be filed with county assessor. Penalties prescribed. (RCW 84.40.020, .040, .060, and .130) Also, last day for payment of taxes except that when taxes on one lot or tract are \$50 or more, or when personal property taxes total \$50 or more, one-half may be paid by April 30 and the remaining one-half by October 31. (RCW 84.56.020)



3. Verify whether there is a business license issued and associated with the use of the equipment in question.

If these three tests are returned in the negative, the Kubota is entitled to a property tax exemption under RCW 84.36.110. For questions regarding this, you may contact Joe Simmonds at (360) 753-5552 or Neal Cook at (360) 753-2249. ♦

Allocation of Value on Segregated Parcels

By Peri Maxey, Technical Programs Manager

RCW 84.40.042 requires the assessor to determine the true and fair value of each lot when property is divided in accordance with chapter 58.17 RCW. The newly created parcels must be valued at their true and fair value as of January 1 of the year the original parcel

was last revalued. A recent Board of Tax Appeals decision in San Juan County confirms this. In Docket Nos. 52796, 52797, and 52798, the taxpayers

"The only way to value a new tax parcel at the statutory required value (100% of true and fair) is to use appraisal judgment to establish the new value..."

maintained the assessor was required to allocate the value established during the last revaluation of the subject property to the newly created parcels following the boundary line adjustment. They further maintained the total value of the segregated parcels could be no greater than the amount placed on the original parcel at the time it was last revalued. Both the property owners and the assessor relied on information contained in a letter written by Jim Winterstein of the Department's Legislation and Policy Division to the King County Board of Equalization dated July 29, 1992. Mr. Winterstein wrote, "The only way to value a new tax parcel at the statutory required value (100% of true and fair) is to use appraisal judgment to establish the new value; a mathematical calculation based upon the original parcel(s)'s valuation [as argued by the owners] is not proper because it would not, in most cases, result in establishing market value, and would be arbitrary and capricious."

The Board said that, in so setting these new values, the assessor must use the same valuation standards – market data – applied to other similar properties during the previous revaluation. The assessor's testimony indicated that had been done. The Board upheld the decision of the local Board of Equalization and the value established by the assessor. ♦



Document Management System

By Kathy Beith, Levy Specialist

The Department of Revenue is in the process of implementing an Integrated Document Management System throughout the agency. The Integrated Document Systems (IDocS, for short) is being used to improve procedures and processes and enhance efficiency within the agency. The system includes imaging documents to eliminate paper files and workflow management to efficiently process those documents.

The Department began exploring the technology about two years ago. Once a technology provider was identified, four projects were chosen to begin implementation. The first project was the Property Tax Division's nonprofit exemption section. Now, as exemption applications and related documents are received by the Department, they are scanned into an electronic imaging system. The images are then automatically routed to the employee assigned to work on that application or other type of document. As audit reports are written, they are imported into the electronic file. The system has eliminated the need for maintaining paper files for more than 9,000 organizations with exempt property. Also, applications are received electronically by field auditors within minutes of receipt by the agency.

The Department has also implemented this technology in its Financial Management and Taxpayer Services Divisions. Currently, the agency is expanding the system to include imaging all excise tax returns received by the agency. Additionally, the agency is exploring ways to further utilize this technology to increase the efficiency of the way we do business

Public Development Authorities (PDA)

By Peri Maxey, Technical Programs Manager

RCW 35.21.730 authorizes any city, town or county to create a public corporation, commission or authority to improve the administration of authorized federal grants or programs, to improve governmental efficiency and services or to improve the general living conditions in the urban areas of the state. RCW 35.21.755 provides the same immunity from taxation as that of the city, town or county, to any property (real and personal) of a public corporation, commission or authority created under RCW 35.21.730. In place of the property tax exempted under this statute, these public entities must pay an annual in lieu excise tax equal to the property tax. This tax is collected by the county treasurer and distributed to the various taxing districts where the property is located. The statute goes on to provide a limited number of exemptions from the in lieu excise tax to the following types of properties:

1. Property within a special review district established by ordinance prior to January 1, 1976, or listed on or which is within a district listed on any federal or state register of historical sites,
2. Any property owned, operated, or controlled by a public corporation that is used primarily for low-income housing,
3. Property that is used as a convention center,
4. Property that is used as a performing arts center,
5. Property that is used as a public assembly hall, or
6. Property that is used as a public meeting place

Each county assessor must determine what properties are subject to this tax and whether any property is eligible for exemption from the in lieu excise tax. Often times questions about the taxability of this property come in to the

Department of Revenue, however we virtually have no authority in this area. In these instances we make a referral to the county assessor where the property is located. In 1988 the Department offered our assistance to counties to assist them in determining which properties, used for low income

housing, may be entitled to an exemption under this statute. We have continued to provide this service through our Attorneys General division. In the future we may be looking for administrative guidelines for this process either through legislation or possibly rule making.

Please take a moment to review this area of law and determine whether you have properties of Development Authorities in your county, subject to this in lieu excise tax. ♦

Who To Contact

By David Saavedra, Program Coordinator

The Department has undergone many staffing changes in the last couple of years, and we realize that sometimes you may have the feeling that you just don't know who to call anymore at the Department...or in Olympia...with your question. As a result, we know that sometimes it is just easier to call who you know instead of the person who might actually have the answer to your particular question. In order to help you get to know our staff and who is responsible for what, we are including a contact list of Property Tax Division contact people and their area of responsibility. We will continually update this list as changes occur. Please don't hesitate to call. ♦

Department of Revenue Property Tax Division

DESCRIPTION OF PROGRAM	CONTACT	PHONE # (360)	INTERNET E-MAIL
Property Tax Admin. Policy	Sandy Guilfoil,	753-5503	SANDYG@dor.wa.gov
Property Tax Program	David Saavedra	753-2044	DAVIDS@dor.wa.gov
General Information – Receptionist	Cathy Berry	753-1382 586-7602	
Specific Topics			
Accreditation	Pete Levine	586-2902	PETEL@dor.wa.gov
Appraisal & Audit - Real Property	Mark Maxwell	664-3182	MARKMAX@dor.wa.gov
Appraiser Certification	Cleotis Borner	753-1062	CBORNER@dor.wa.gov
Appraiser Testing	Linda Cox	753-5539	LINDAC@dor.wa.gov
Boards of Equalization	Kathy Beith	753-2057	KATHYB@dor.wa.gov
Code Area Boundaries &	Bob Petersen	753-5535	BOBPE@dor.wa.gov
Current Use/Open Space	Pete Levine	586-2902	PETEL@dor.wa.gov
Education	Pete Levine	586-2902	PETEL@dor.wa.gov
Forest Tax General Information	Steve Vermillion	664-8432	STEVEV@dor.wa.gov
Forms	Pete Levine	586-2902	PETEL@dor.wa.gov
Legislation	Peri Maxey	753-5558	PERIM@dor.wa.gov
Levy Assistance	Kathy Beith	753-2057	KATHYB@dor.wa.gov
Manuals (BOE, WAC, etc.)	Linda Cox	753-5539	LINDAC@dor.wa.gov
Mobile Homes	Joe Simmonds	753-5552	JOESI@dor.wa.gov
Nonprofit/Exempt	Peri Maxey	753-5558	PERIM@dor.wa.gov
Personal Property	Neal Cook	753-2249	NEALC@dor.wa.gov
PUD Tax	Steve Yergeau	753-2591	STEVEY@dor.wa.gov
RR Leases & Mapping	Bob Petersen	753-5535	BOBPE@dor.wa.gov
Ratio Study	Deb Mandeville	664-0766	DEBM@dor.wa.gov
Revaluation	Shawn Kyes	664-3173	SHAWNK@dor.wa.gov
Senior Citizens/Disabled Homeowners	Mary Skalicky	753-1942	MARYS@dor.wa.gov
Taxing Districts	Bob Petersen	753-5535	BOBPE@dor.wa.gov
Training for County Personnel	Linda Cox Pete Levine	753-5539 586-2902	LINDAC@dor.wa.gov PETEL@dor.wa.gov
Utilities - Valuation of Public	Steve Yergeau	753-2591	STEVEY@dor.wa.gov